

**EXHIBIT B**

**(Deposition Transcript of Charles Moore)**

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<p>1 IN THE UNITED STATES BANKRUPTCY COURT</p> <p>2 EASTERN DISTRICT OF MICHIGAN</p> <p>3 SOUTHERN DIVISION</p> <p>4</p> <p>5 In re Chapter 9</p> <p>6 CITY OF DETROIT, MICHIGAN, Case No. 13-53846</p> <p>7 Debtor. Hon. Steven W. Rhodes</p> <p>8 _____/</p> <p>9</p> <p>10 DEPONENT: CHARLES M. MOORE</p> <p>11 DATE: Wednesday, September 18, 2013</p> <p>12 TIME: 10:02 a.m.</p> <p>13 LOCATION: MILLER CANFIELD PADDOCK &amp; STONE PLC</p> <p>14 150 West Jefferson, Suite 2500</p> <p>15 Detroit, Michigan</p> <p>16 REPORTER: Jeanette M. Fallon, CRR/RMR/CSR-3267</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 APPEARANCES (continued):</p> <p>2</p> <p>3 COHEN WEISS AND SIMON LLP</p> <p>4 By: Thomas N. Ciantra</p> <p>5 330 West 42nd Street</p> <p>6 New York, NY 10036.6979</p> <p>7 212.356.0216</p> <p>8 Appearing on behalf of UAW</p> <p>9</p> <p>10 LOWENSTEIN SANDLER LLP</p> <p>11 By: Sharon L. Levine</p> <p>12 65 Livingston Avenue</p> <p>13 Roseland, NJ 07068</p> <p>14 973.597.2374</p> <p>15 -and-</p> <p>16 Michael L. Artz (appearing telephonically)</p> <p>17 Appearing on behalf of AFSCME</p> <p>18</p> <p>19 CLARK HILL PLC</p> <p>20 By: Andrew Mast</p> <p>21 Ed Hammond (appearing telephonically)</p> <p>22 500 Woodward Avenue, Suite 3500</p> <p>23 Detroit, MI 48226</p> <p>24 313.965.8384</p> <p>25 Appearing on behalf of Retirement Systems</p>
Page 2	Page 4
<p>1 APPEARANCES:</p> <p>2</p> <p>3 JONES DAY</p> <p>4 By: Evan Miller</p> <p>5 51 Louisiana Avenue, NW</p> <p>6 Washington, D.C. 20001.2113</p> <p>7 202.879.3939</p> <p>8 -and-</p> <p>9 MILLER CANFIELD PADDOCK AND STONE PLC</p> <p>10 By: Jonathan S. Green</p> <p>11 150 West Jefferson, Suite 2500</p> <p>12 Detroit, MI 48226.4415</p> <p>13 313.496.7997</p> <p>14 Appearing on behalf of the Debtor</p> <p>15</p> <p>16 DENTONS US LLP</p> <p>17 By: Arthur H. Ruegger</p> <p>18 1221 Avenue of the Americas</p> <p>19 New York, NY 10020.1089</p> <p>20 212.768.6881</p> <p>21 Appearing on behalf of Retirees Committee</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 APPEARANCES (continued):</p> <p>2</p> <p>3 WILLIAMS WILLIAMS RATNER &amp; PLUNKETT PC</p> <p>4 By: Ernest J. Essad, Jr.</p> <p>5 380 N Old Woodward Ave Ste 300</p> <p>6 Birmingham, MI 48009</p> <p>7 248.642.0333</p> <p>8 Appearing on behalf of FGIC</p> <p>9</p> <p>10 WINSTON &amp; STRAWN LLP</p> <p>11 By: Bianca M. Forde (appearing telephonically)</p> <p>12 200 Park Avenue</p> <p>13 New York, NY 10166.4193</p> <p>14 212.294.4733</p> <p>15 Appearing on behalf of Assured Guaranty Municipal</p> <p>16 Corp.</p> <p>17</p> <p>18 STROBL &amp; SHARP</p> <p>19 By: Meredith Cox (appearing telephonically)</p> <p>20 300 East Long Lake Road, Suite 200</p> <p>21 Bloomfield Hills, MI 48304</p> <p>22 248.540.2300</p> <p>23 Appearing on behalf of Retired Detroit Police Members</p> <p>24 Association</p> <p>25</p>



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<p style="text-align: right;">Page 61</p> <p>1 A. The rate of payouts is another area where the</p> <p>2 actuaries make assumptions as to what benefits will be</p> <p>3 paid in what periods and to the extent that those are</p> <p>4 underestimated, that can impact the funded position as</p> <p>5 well. Tying into previous assumptions that I had</p> <p>6 indicated.</p> <p>7 Q. So is it -- is it your position that the City views</p> <p>8 the actuarial payout assumptions as understating</p> <p>9 unfunded liabilities?</p> <p>10 MR. MILLER: Object to form. Go ahead.</p> <p>11 A. As an example, Mr. Ruegger, the actuarial valuation</p> <p>12 assumes certain payouts. The actual payouts in the</p> <p>13 most recent completed year of plan assets were</p> <p>14 substantially higher than what was anticipated prior</p> <p>15 to that valuation being done and so at a minimum that</p> <p>16 would indicate that there were more assets that were</p> <p>17 paid out than what was assumed by the actuary.</p> <p>18 Q. Other than the assumptions and methods you've</p> <p>19 identified, are there any other assumptions and</p> <p>20 methods that to your understanding the City views as</p> <p>21 understating the systems' unfunded liabilities?</p> <p>22 A. The City and most importantly its actuary has not</p> <p>23 completed its analysis on the unfunded position. The</p> <p>24 City is trying to undertake a process to actually</p> <p>25 develop a more concrete valuation model on its own so</p>	<p style="text-align: right;">Page 63</p> <p>1 letters and reports and we'll take those up with the</p> <p>2 Milliman folks, but I'm trying now to focus on the 7.0</p> <p>3 figure. That was a figure selected by the City for</p> <p>4 illustrative purposes; correct?</p> <p>5 MR. MILLER: Object to form.</p> <p>6 A. Yes.</p> <p>7 Q. And that was not the specific figure or a specific</p> <p>8 figure recommended by Milliman or any other actuary;</p> <p>9 correct?</p> <p>10 A. I can't speak to any other actuary, but going back to</p> <p>11 the previous question, yes, 7 percent was used for</p> <p>12 illustrative purposes.</p> <p>13 Q. The -- and the Milliman analysis that's been</p> <p>14 undertaken so far, to your understanding, that hasn't</p> <p>15 been the product of work on the actual data for the</p> <p>16 systems; has it?</p> <p>17 MR. MILLER: Object to form.</p> <p>18 MR. RUEGGER: Okay, that was a poor</p> <p>19 question, I'll try again. Actually withdrawn.</p> <p>20 Q. Related to the projected net return, in paragraph 15</p> <p>21 of your declaration, I believe it's 15, you have a --</p> <p>22 we'll get to it.</p> <p>23 Let's talk now about the concept of</p> <p>24 smoothing that you reference in paragraph 12. In your</p> <p>25 understanding smoothing is a common calculation used</p>
<p style="text-align: right;">Page 62</p> <p>1 it's been relying on the valuation model of the</p> <p>2 pension systems' actuary. As such we have focused on</p> <p>3 a few items here, but until the City completes its</p> <p>4 analysis and completes its own actuarial valuation,</p> <p>5 neither the City nor its actuary nor I would be able</p> <p>6 to say what all the assumptions are that could be used</p> <p>7 to either overstate or understate the funded position.</p> <p>8 Q. Very well.</p> <p>9 Let's turn to one of the assumptions that</p> <p>10 you address in your declaration and specifically in</p> <p>11 paragraph 11 you talk about the projected net rate of</p> <p>12 return. The 7.0 percent or 7.25 percent figure, do</p> <p>13 you see that in paragraph 11?</p> <p>14 A. Yes, sir.</p> <p>15 Q. Those were not figures that were recommended by a</p> <p>16 particular actuary; were they?</p> <p>17 A. The 7 percent is actually higher than the rate that</p> <p>18 Milliman, the City's actuary, had originally put</p> <p>19 forward, which in its view would result -- the rate at</p> <p>20 which there was a fifty-fifty chance of achieving that</p> <p>21 rate.</p> <p>22 MR. RUEGGER: All right. I'm going to move</p> <p>23 to strike, because with all respect that was not</p> <p>24 responsive to my question, Mr. Moore.</p> <p>25 Q. I understand Milliman has prepared a variety of</p>	<p style="text-align: right;">Page 64</p> <p>1 by actuaries related to pension projections; correct?</p> <p>2 A. I would clarify your question from the standpoint of</p> <p>3 typically pension boards will decide on the policies</p> <p>4 and then actuaries will perform calculations based on</p> <p>5 the policies that a board will decide to use.</p> <p>6 Q. But smoothing is a common practice for actuaries; is</p> <p>7 it not?</p> <p>8 MR. MILLER: Object to form.</p> <p>9 A. Based on my experience, yes, there is a number of</p> <p>10 plans that I've looked at that involve a smoothing.</p> <p>11 Q. And would you agree that smoothing is a method to</p> <p>12 manage the effect of investment volatility on</p> <p>13 contributions and to provide a more consistent measure</p> <p>14 of plan funding over time?</p> <p>15 MR. MILLER: Object to form.</p> <p>16 A. Generally speaking, yes. What's important to note is</p> <p>17 that smoothing is a concept, and I agree with the</p> <p>18 purpose of that concept. The number of years over</p> <p>19 which a pension system may smooth can differ</p> <p>20 significantly.</p> <p>21 Q. Based on the -- well, withdrawn.</p> <p>22 To your knowledge is smoothing generally</p> <p>23 consistent with the actuarial standards of practice?</p> <p>24 MR. MILLER: Object to form.</p> <p>25 A. Well, I can tell you, Mr. Ruegger, later this year new</p>



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<p style="text-align: right;">Page 149</p> <p>1 City of Detroit to put into that pension fund as of</p> <p>2 July of next year; correct? July of this year;</p> <p>3 correct?</p> <p>4 MR. MILLER: Object to form. Go ahead.</p> <p>5 A. Obviously there are a number of potential sources of</p> <p>6 cash that are still uncertain.</p> <p>7 Q. Okay.</p> <p>8 A. But to answer your question about why this was done --</p> <p>9 Q. Yeah.</p> <p>10 A. -- there were a number of comments that were made</p> <p>11 indicating that the plan is only \$830 million</p> <p>12 underfunded or some people refer to the June 30th of</p> <p>13 2011 number and our point on this was to indicate that</p> <p>14 even if the plan was topped off from an actuarial</p> <p>15 standpoint, meaning that it was funded at 100 percent,</p> <p>16 if you roll forward using certain assumptions, what</p> <p>17 potentially happens to plan assets.</p> <p>18 Q. I see. But one of the assumptions is there's going to</p> <p>19 be no further contributions into the plan after that</p> <p>20 lump sum; correct?</p> <p>21 A. Yes. And what that is getting at is there's no future</p> <p>22 accrual of benefits. So you fully fund it based on</p> <p>23 the benefits that have been accrued --</p> <p>24 Q. Okay.</p> <p>25 A. -- which if that was the case, if it was fully funded</p>	<p style="text-align: right;">Page 151</p> <p>1 would be -- that in the City's view must occur;</p> <p>2 correct?</p> <p>3 A. Correct.</p> <p>4 Q. Has there been a specification of those level of cuts</p> <p>5 that the City contends must occur?</p> <p>6 MR. MILLER: Object to form.</p> <p>7 Q. I mean, have you put a dollar amount on it?</p> <p>8 A. No, and our analysis of this continues. Right now we</p> <p>9 still don't know what assets could be available to put</p> <p>10 towards the pensions. We still have not had the type</p> <p>11 of dialogue that we would like to have related to the</p> <p>12 calculation of the unfunded amount, so because of</p> <p>13 those two uncertainties among others we don't know</p> <p>14 what cuts, if any, there may need to be.</p> <p>15 Q. Well, doesn't it say there must be significant cuts?</p> <p>16 Am I -- are you saying that there's some -- that the</p> <p>17 City's position may be that there are no cuts that are</p> <p>18 necessary in accrued vested pension amounts?</p> <p>19 MR. MILLER: Object to form.</p> <p>20 A. We don't know. That's where we want to continue to</p> <p>21 engage in discussions and negotiations with the</p> <p>22 parties, but depending on what the unfunded amount is</p> <p>23 and what assets may be available for those claims, it</p> <p>24 certainly is possible.</p> <p>25 Q. So maybe that should have been worded there may be</p>
<p style="text-align: right;">Page 150</p> <p>1 from an actuarial standpoint and no new benefits</p> <p>2 accrued and you experience a 7.9 percent assumed rate</p> <p>3 of return -- or actual rate of return, what would</p> <p>4 happen to the plan assets.</p> <p>5 Q. Let me ask you if you have Moore Exhibit 3 there, I</p> <p>6 want to ask you a few questions with regard to that.</p> <p>7 Let me direct you to page 95 of that</p> <p>8 presentation. Hang on for a second. I'm sorry, I was</p> <p>9 in the wrong place. Page 109. Looking at the heading</p> <p>10 there, claims for unfunded pension liabilities.</p> <p>11 A. Yes, sir.</p> <p>12 Q. Were you involved at all in the drafting of that part</p> <p>13 of this presentation?</p> <p>14 A. I don't think I wrote that, but I was aware of this</p> <p>15 language.</p> <p>16 Q. Okay. How about the specifically the language of the</p> <p>17 third bullet point? Because the amounts realized on</p> <p>18 the underfunding claims would be substantially less</p> <p>19 than the underfunding amount, there must be</p> <p>20 significant cuts in accrued vested pension amounts for</p> <p>21 both active and currently retired persons. Were you</p> <p>22 involved in formulating that?</p> <p>23 A. Yes, sir.</p> <p>24 Q. And has the City -- I noticed in this presentation</p> <p>25 there's no quantification of what -- of the cuts that</p>	<p style="text-align: right;">Page 152</p> <p>1 significant cuts rather than must?</p> <p>2 MR. MILLER: Object to form. It asks for</p> <p>3 speculation.</p> <p>4 MR. CIANTRA: I don't think it asks for</p> <p>5 speculation at all.</p> <p>6 MR. MILLER: It asks for speculation, but</p> <p>7 you can go ahead and speculate.</p> <p>8 A. Possibly.</p> <p>9 Q. But in any event, there's been no specific</p> <p>10 quantification of any level of cuts to accrued vested</p> <p>11 pension amounts that the City has formulated in this</p> <p>12 restructuring process to date; isn't that correct?</p> <p>13 A. Correct.</p> <p>14 Q. And I would assume from that that you have not</p> <p>15 provided the unions or any of the retiree groups with</p> <p>16 any -- any quantification of cuts that the City would</p> <p>17 like to see made?</p> <p>18 A. No, we have met with parties regarding the pension</p> <p>19 multiple times and we've laid out a process that we</p> <p>20 propose to follow; however, that process really has</p> <p>21 not been started unfortunately.</p> <p>22 Q. Are you aware of provisions of the Michigan State</p> <p>23 Constitution that affect the ability of the State or</p> <p>24 its municipalities to alter accrued pension benefits?</p> <p>25 A. Generally, yes.</p>



1 State of Michigan)

2 County of Genesee)

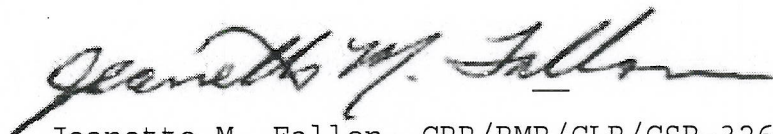
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4 I certify that this transcript is a complete, true and  
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7 I also certify that prior to taking this deposition,  
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9 I further certify that I am not a relative or an  
10 employee of or an attorney for a party; and that I am not  
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12 matter.

13 WITNESS my hand this 20th day of September,  
14 2013.

15  
16  
17 

18 Jeanette M. Fallon, CRR/RMR/CLR/CSR-3267

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